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FM AMEMBASSY HARARE

TO RUEHC/SECSTATE WASHDC IMMEDIATE 3590

INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHDS/AMEMBASSY ADDIS ABABA 2485

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UNCLAS SECTION 01 OF 02 HARARE 000945

SENSITIVE

SIPDIS

USAID/W FOR KENT HILL, GH/AA; HOPE SUKIN, AFR/SD;
GH/HIV-AIDS, MARK DYBUL, S/DAC; HHS/NIH/FIC;
SADENIYI-JONES, HHS/OS/OGHA

E.O. 12958: N/A

TAGS: [EAID](#) [Khiv](#) [KSCA](#) [OSCI](#) [PGOV](#) [PREL](#) [TBIO](#) [TSPL](#) [ZI](#)

SUBJECT: ZIMBABWE GLOBAL FUND AUDIT

REF: HARARE 579

SUMMARY

¶11. (SBU) Late last year, the Global Fund (GF) deposited approximately USD 8 million in the Reserve Bank of Zimbabwe (RBZ) to fund HIV/AIDS programs through nongovernmental partners in Zimbabwe. Post became aware in the ensuing months that these funds were not being disbursed. In July, RBZ governor Gideon Gono told the Ambassador that the funds had been diverted for other purposes. The Office of the Global AIDS Coordinator (OGAC) subsequently urged GF to conduct an audit. This audit is now being conducted. Zimbabwe's Round 8 application has been provisionally approved after technical review and will now go the GF Board for review. Post suggests that OGAC carefully monitor the Round 8 process and oppose approval until after the audit has been completed and mechanisms put in place for proper disbursement of funds and accountability. END SUMMARY.

Growing Concerns

¶12. (SBU) Subsequent to the deposit last year by GF of approximately USD 8 million in the RBZ for HIV/AIDS programs to be administered by the Zimbabwe Association of Church Hospitals and nongovernmental sub-grantees, the USG PEPFAR team and other donor representatives became aware that the RBZ was not disbursing GF monies for these programs. In a July 1 meeting with the Ambassador, Gono admitted that GF monies had been diverted for other purposes. (COMMENT: The period from January until July was politically turbulent. Elections took place in March and June, and in the period between elections, ZANU-PF spent large amounts of money both in electioneering and in orchestrating violence against the opposition. It is logical to conclude that GF monies were used for these purposes. END COMMENT.)

¶13. (SBU) In July, Post brought this information to the attention of OGAC and the DHHS Office of Global Health Affairs (OGHA). OGAC and OGHA wrote to GF on July 21 expressing concern about the GOZ's processing of GF funds and requesting an immediate audit.

The Audit and Donor Concerns Regarding GF

¶4. (SBU) On September 25, OIG/GF conducted a preparatory video conference with U.S., DFID, and EC representatives in Harare. The audit will be led by Inspector General John Parsons; inspector Anne Rwego arrived in Harare a week after the videoconference. Field work was anticipated to last three weeks. The audit report will likely be released in early November.

¶5. (SBU) At an October 7 meeting with Rwego, donors expressed concerns about GF processes and results:

- a) Poor communication--PEPFAR team and other donor representatives sit on the Zimbabwean Country Coordinating Mechanism (CCM). The CCM Secretariat has been an ineffective conduit of information between the GF Portfolio Manager in Geneva and CCM members. Donor representatives have repeatedly requested that the Portfolio Manager communicate directly with them, but this has not occurred. As a result, donors have limited financial information about GF activities in Zimbabwe.
- b) Ineffective and misguided financial disbursement process--Hyperinflation, regulations for currency exchange, and limitations imposed on NGOs' access to foreign currency have made Zimbabwe an extremely difficult operating environment. The Portfolio Manager has not accepted suggestions by donors to improve management of GF monies in this environment.

HARARE 00000945 002 OF 002

c) Delayed Implementation for Rounds 1 and 5--Because of the economic situation in Zimbabwe and a several-month government ban on NGO activities, the implementation of GF programs, particularly for TB and Round 5, has been delayed. Not only are the Zimbabwean people not being served, but benchmarks are not being achieved. This negatively affects future programming which depends on demonstration of past progress.

¶6. (SBU) Rwego indicated concern about areas described by donors and lack of transparency. She was particularly concerned about reports that funds were diverted for "other national priorities."

Concerns about Round 8...and Suggestions

¶7. (SBU) Zimbabwe's Round 8 application for USD 500 million funding over five years has received technical approval and will now go to the GF Board for review. Post and other donors are concerned that without transparent and well-structured GOZ mechanisms for the distribution of funds, funds will be misused and NGOs will have difficulty in accessing and using funds. We suggest urging GF not to make any decisions on Round 8 until after the release of the ongoing audit and further discussion with donors. If a decision is ultimately made to award additional funds, we suggest urging GF to place a resident manager in Harare to monitor the disbursal of funds and to ensure accountability. The Ambassador made this suggestion to the Portfolio Manager in a recent meeting.

MCGEE